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A PAPER PREPARED BY
The National Co-operative Managers' Association.

For discussion at the First Co-operative
Trades and Business Conferences, 1921.

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CO-OPERATIVE SOCIETIES,**

By O. T. HOPKINS.

*With an introduction by F. HALL, M.A., B.Com., Adviser of Studies,
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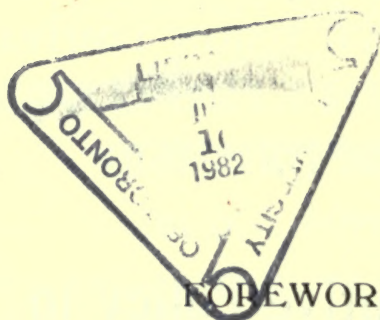
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FOREWORD.

This paper has been prepared by the Executive Council of the National Co-operative Managers' Association for discussion at the First Trades and Business Conferences organised by the Co-operative Union. In preparing the paper the Council has received valuable assistance from Messrs. T. D. Cook (Barnsley), Dawson (Dewsbury), A. J. Jones (Mansfield and Sutton), F. Knox (Birtley), C. W. Newbold (Woking), G. R. Nichol (Pegswood), C. W. Swingler (Birmingham), and W. Rathbone (St. Helens). All of the gentlemen named have contributed useful information and suggestions embodied in the paper, which has been revised and edited by Mr. T. W. Mercer, of the Publications Department of the Co-operative Union. The paper will be read at each of the five special conferences by Mr. C. W. Swingler (Birmingham), President of the National Co-operative Managers' Association.

Co-operative Policy in Relation to the Organisation of Retail Trade.

THE subject dealt with in this paper is co-operative policy in relation to the organisation of retail trade. The purpose of the paper is to cause those who read it to consider how, having regard to the existing machinery of co-operative distribution, the business of retail selling can be best organised by co-operative societies. The authors of the paper have not even attempted to deal with the technical details of any part of the subject treated, nor is it necessary that such details should be here discussed. Those who are primarily responsible for the organisation of retail distribution by co-operative societies are asked to decide what policy shall be adopted by the co-operative movement. When they have made their decision the policy adopted must be carried out in the most efficient manner by officials and managers who understand the technique of their own particular business and who know how to reduce economic theory to commercial practice. If co-operative shopkeeping is to be a success, it is necessary, first, to determine what is the right policy, and, secondly, to ensure that this shall be efficiently carried out. When the policy has been decided, inefficient systems and inefficient men must be suitably dealt with. Wasteful systems and incompetent employees may perhaps satisfy some private traders; they cannot be permitted to exist inside the co-operative movement.

Co-operative managers rightly claim to be heard when the trade policy of the co-operative movement is being discussed. As men responsible for the success of co-operative shopkeeping they are in daily touch with economic realities. Having had much practical experience, they know exactly what obstacles hinder the further growth and expansion of co-operative distribution. Even if it should appear that they, being practical men, are better able to do their job than they are to tell others how it should be done, they have knowledge and opinions of which cognizance must be taken by all who direct and administer co-operative policy.

One thing at least is quite certain, namely, that co-operators will never realise their economic and social aims if the business of retail selling is not efficiently organised by co-operative societies. Unless each local co-operative store has power to attract new custom the hopes of co-operative idealists will never be more substantial than the fabric of a dream. The co-operative store is

the foundation upon which every other form of co-operative industrial and financial enterprise is built. The whole superstructure of co-operative agriculture, manufacture, banking, insurance and exchange rests upon the retail store, which is only able to support these higher forms of co-operative activity as it has power to attract and retain trade. That power of attraction—lacking which no co-operative society can prosper—is always in exact proportion to the efficiency of its economic organisation. A co-operative society must have a soul in it if it is to rank as a true co-operative society; but, even so, its trade must be organised in the most economical and businesslike way. The retail store will not attract trade if it fails to deliver goods to the consumer as cheaply as they are delivered by its competitors. Co-operators must, therefore, have a trade policy, a method of organisation, that will not only safeguard every co-operative principle, but also enable them to sell goods as cheaply as they can be sold by any honest trader and yet return a just and honest dividend on members' purchases.

I.—The Competition of the Multiple Shops.

To-day the most dangerous rival of the co-operative store is the multiple shop. The small private trader need no longer be regarded seriously as a trade competitor, while the big emporiums and departmental stores still depend for their trade mainly upon the custom of classes in society hardly reached as yet by the typical co-operative society. The multiple shop, has, indeed, already caused an economic revolution in the realm of retail selling, and has made it in the highest degree unlikely that the individual trader will ever again play an important part in the economy of retail distribution. It is the competition of the multiple shops that the co-operative store has now to meet. That competition is becoming keener every year, and the astonishing increase in the number of such shops is at once a proof of their efficiency as a selling agency and a striking revelation of the strength of the competition which almost every co-operative society has now to overcome.

At one time, not so very long ago, the full force of that competition was felt only by co-operative societies in large centres of population. To-day, multiple shop companies, trading in tea and sugar, groceries and provisions, boots and shoes, drugs and tobacco, hats and wearing apparel, books and stationery, and many other classes of goods, have shops in the smaller towns also, and even in country villages. Moreover, since such companies advertise largely in both town and country newspapers, they now attract customers from remote villages and hamlets. The advertised prices of goods sold in multiple shops are known immediately, and are often quoted against co-operative societies, for housekeepers are to-day reading advertisements and are keener buyers in consequence.

But why is the competition of the multiple shop so dangerous to the co-operative store? By what methods has the multiple shop company gained so firm a hold on the custom of the wage-earning classes? The first and chief reason why it has so succeeded is, of course, because the multiple shop is an attractive shop. Established in the principal shopping centre, the typical multiple shop is attractive both externally and internally. It is well built, well decorated, well lighted, well arranged, and well fitted with modern counters, shelves, and other fixtures for the display of goods. Its windows are cleaned and re-dressed at frequent intervals, the provision windows usually being re-dressed daily. Special lines of goods are continually displayed, the goods exhibited are plainly ticketed and often offered at specially low prices, whilst the attention of the public is directed to the shop windows by bold announcements in the press and other methods of modern advertising.

Moreover, the multiple shop is always kept very clean; it has a staff of competent servers, sufficiently numerous to cope with the trade done; the goods stocked are sold at competitive prices, which rise or fall immediately in harmony with market prices; and it is the duty of inspectors having large powers to see that the shop is at all times attractive, that the servers are smart, cheerful and obliging, and that all goods offered for sale are in perfect condition.

How do many co-operative stores compare with such a shop? Great improvements have been made in them during the past decade, but many co-operative stores are still dark and gloomy rooms, sometimes being converted dwelling-houses. In some societies, whose committee-men still confuse parsimony with economy, the co-operative shop is only painted and decorated once or twice in a generation, the lighting is bad, the fittings are antiquated, and, as the staff is too small to cope with the business, the employees, reacting to their industrial environment, are less cheerful and obliging than they would otherwise be.

Speaking of such shops, a well-known co-operative manager says: "The very dirtiest shop that I have been in during the past five years was a co-operative one at a seaside resort. . . . Only this month I heard of another co-operative shop, in a very fashionable seaside town, where the assistant on the provision side habitually smoked cigarettes whilst serving customers and cutting up bacon, &c."! Many co-operative stores do compare favourably with multiple shops; others do not, and these last are quite unable to compete effectively with their trading rivals.

If co-operative societies are to survive in the competitive struggle for trade their selling departments must be re-organised on multiple shop lines. Co-operative administrators must recognise that C3 shops will not attract an A1 trade. Indeed, it is as unreasonable to expect badly-built, badly-lighted, badly-staffed co-operative stores to attract customers as it would be to expect a force armed with the old "Brown Bess" to defeat one armed with

modern rifles. Paint and glass, marble and mahogany, soap and water, all have "pulling" power, and the co-operative store must possess and use all these to the best advantage before it can be as attractive as the typical multiple shop.

Indeed, it must be a cardinal principle of co-operative trade policy that every co-operative store, viewed simply as a building, shall be equal to the most attractive shop in the district covered by a society's trading operations. When such stores are provided, the co-operative manager will for the first time have a chance to show his quality as a business organiser. It would, of course, be beneficial if all co-operative stores, in each department of retail trade, had a uniform appearance, as passers-by would then recognise them more quickly. Unfortunately, it is not possible, for obvious reasons, to fit all existing stores with uniform shop fronts. Nevertheless, all new stores might well be made to look alike, and surely there is no valid reason why the exteriors of all co-operative shops should not be painted in a uniform colour as one means of informing the public that they are co-operative stores.

Second in importance only to the provision of satisfactory buildings having a uniform appearance are the following requirements:—

- (1) **FITTINGS.**—Every co-operative store should be well planned and fitted with the most up-to-date fittings for the display of goods. Wherever space permits, special counters should be provided for special kinds of goods, and the trade should, as far as possible, be departmentalised.
- (2) **WINDOWS.**—Each shop should be fitted with large modern windows, which should be kept perfectly clean and re-dressed at frequent intervals. The price of all goods exhibited for sale should be clearly stated in plain figures.
- (3) **LIGHTING.**—Particular care should be taken to ensure that each shop and shop window shall be well lighted. There should be no dark corners in any part of a selling department.
- (4) **GOODS.**—All articles sold should be of good quality and suited to the requirements of the particular class of trade catered for.
- (5) **PRICES.**—Goods should be sold at the prices charged by multiple shops in the district covered. Such retail prices should be reduced promptly in accordance with every fall in wholesale prices, and all price reductions should be advertised with equal promptitude. It is desirable that co-operative productions should be obtainable at the same price at all co-operative stores.

- (6) **STAFF.**—Each shop should be adequately staffed. Every person employed should be thoroughly efficient. All employees handling foodstuffs should be required to wear white jackets and clean aprons. Employees in all departments should, as far as possible, present a uniform appearance.
- (7) **SUPERVISION.**—Responsible heads of departments should have power to engage employees and to discharge those whose standard of work or general character is unsatisfactory. Large societies should appoint shop inspectors to visit and inspect branch establishments.

If the above requirements are satisfied, if such conditions obtain in any co-operative society—and there is no sound reason why they should not—then, assuming that all economic waste is eliminated by efficient organisation and vigilant administration, that society will have no reasonable cause to fear the competition of any multiple shop. Rather will multiple shop companies have reason to fear the competition of the co-operative society, which will then not only supply the consumer with goods equally well and cheaply, but also return to every purchaser his rightful share of “the fund commonly called profit” which it will have saved for him by its system of collective buying.

II.—Central or Branch Shops.

Closely related to the question already discussed is the question whether it is the wiser policy for a co-operative society to establish a large central stores or whether it is better for it to open a number of branch shops. This question is not easily answered, for each method of organising retail distribution has its advantages and its disadvantages. Strangely enough, both methods of organisation are being adopted to-day by firms engaged in the business of retail selling. On the one hand there are the multiple shop companies, which build up great businesses by opening a large number of relatively small branch shops in all parts of the country, while, on the other hand, there are the big departmental stores, of which Selfridge's is perhaps the best-known example, which, by assembling a number of different departments beneath one roof, gain a really extraordinary power to attract customers of almost every class and from many parts of the kingdom. It is evident that each system of organisation is good; and it is difficult to decide which of the two is most suitable for adoption by co-operative societies.

Moreover, it is necessary, in considering this question, to remember that there has been a distinct change in the shopping habits of the wage-earning classes during recent years. Once the customer came to the shop; to-day it is often necessary to take the shop to the customer if her trade is to be secured. Modern co-operative housewives, for example, demand a much better service than that which satisfied their grandmothers, and they are less

willing than their mothers were to walk a mile to buy goods at the nearest co-operative store. Times have changed; hence the co-operative society is now compelled to organise the distribution of goods in ways that will enable the modern housewife to obtain her supplies with the minimum of trouble to herself.

It is obviously impossible to lay down definite rules and to say that a large central store is preferable to a number of branch shops, or *vice versa*. Many factors have to be taken into account, including the extent of the geographical area covered by each particular society's trading operations; the density and distribution of population; the presence or absence of adequate travelling facilities; the nature of the existing competition; and the character of the people whose needs are to be supplied.

Economically there is little to choose between the two methods of organisation. When trade is concentrated at one centre certain expenses are greatly reduced. Charges for rent, rates, insurance, repairs, and departmental supervision are lessened, and it is possible to trade on smaller stocks. Overhead charges are thus reduced, capital is more profitably employed, while the large central building itself testifies to the strength and prosperity of the society.

On the other hand, however, delivery charges can often be reduced by opening small branch shops, each one of which will serve the special needs of a particular group of customers. Every new shop thus opened is evidence of the enterprise of the society's management committee, and so helps to convince the public generally that the society is growing in popular favour. Furthermore, as population spreads outwards from the centre the society can move with it, thus spreading over a still wider area, and it is possible that the cost of distribution per £ of sales may be no greater in a society having one hundred branches than it is in one whose trade is highly centralised.

Still, notwithstanding these considerations, it is possible to formulate a policy for co-operative societies in (1) urban areas, and (2) rural areas. In urban areas, where there is an efficient tram or 'bus service, and where travelling facilities are good, it should be the policy of a co-operative society to unite the advantages of a large central store with those of branch shops while avoiding disadvantages usually attached to both methods of organisation. The management should endeavour, as far as possible, to divide the trade of the society into three divisions, namely, (a) foodstuffs, (b) non-perishable goods, and (c) coal, which will, of course, be delivered direct to the consumer from the coal dépôt. The first class of goods will include bread, groceries and provisions, meat, and, usually, milk, fruit and vegetables, and fish. All of these are commodities which must be consumed quickly, and it is therefore necessary that the dépôts from which these goods are supplied should be as near as possible to the actual consumer.

Every society operating in an urban area ought, therefore, to open a large number of small, attractive, well-fitted shops for the sale of foodstuffs, and should establish one or more of these in each district where the trade is sufficient to support a store. For example, special shops for the sale of bread only have been opened by at least one large society, which, as a consequence, has been able entirely to dispense with the services of bread vans and bread deliverers. Even if such delivery systems cannot be entirely dispensed with by every society, each, by making its branch shops its distributing depôts, will be able to organise local barrow or handcart deliveries of bread, milk, greengroceries, and fish, and so lessen its expenditure on horses, motors, and rolling-stock generally. Moreover, by placing a provision shop at each member's door, so to speak, a society will be less liable to lose trade because of the absent-mindedness of housekeepers.

Having thus organised the distribution of foodstuffs through small, well-equipped, clean and attractive local stores, the urban society should centralise the whole of its remaining trade in one large modern central building. At this centre the society will be able to hold large stocks, to show a variety of goods—so giving each purchaser a larger choice than she could possibly have at a branch store—and to employ experienced persons to arrange effective counter and window displays.

The drapery, men's outfitting, boot and shoe, millinery, hardware, furnishing, jewellery, tailoring, dressmaking, and other departments being thus associated, the central premises of the urban society would become an imposing departmental store, to which members would come from all parts of the town to purchase non-perishable goods, which could be delivered from the centre direct to their homes by smart motors. By adopting such a policy, making possible a wise division of its trade, the urban society would secure a larger turnover and reduce its working expenses while minimising the risk of accumulating bad stocks and giving its members a really efficient service.

The co-operative society established in a rural area ought to pursue an entirely different policy. Its central premises, usually erected in a small market town, should be a true general store, properly departmentalised, and well stocked with goods of all descriptions. The branch stores opened by the society in the surrounding villages should resemble the old-fashioned general shop, supplying almost everything that village customers require.

These village branches, like the central stores of the rural society, should be attractive modern shops, well-fitted and well-equipped. In fact, in rural areas and country villages, the co-operative branch store should be the principal village shop, attracting to itself all the trade of all the villagers. It is hardly necessary to add that the stocks of each village store should be renewed frequently, that its windows should be well dressed, and

that it should be as clean and attractive as the biggest city store. Hodge and his wife, who buy goods at the village store, are entitled to receive, and should receive, attention and service equal to that given to more fashionable folks who dwell in town.

III.—The Delivery of Goods.

The policy adopted by a co-operative society in relation to the centralisation or decentralisation of its trade will naturally determine the extent to which it must undertake the actual delivery of goods purchased by its members. If a wise policy is adopted certain definite limits can be set to the cost of this service. For example, if there is a provision store at each consumer's door, obviously there will be little or no necessity for a society to organise the delivery of foodstuffs from house to house.

The delivery of goods is an expensive service for any co-operative society to organise; hence unceasing efforts should be made to limit deliveries of all kinds. It is, of course, idle in these days to ask whether co-operative societies should or should not deliver goods to the houses of individual members. Those who dwell in Rome must do as Romans do, and a co-operative society simply cannot refuse to fetch and carry for its members if local private traders are prepared thus to wait upon them. Once upon a time, as is well known, co-operative purchasers were content to carry away goods which they purchased at their store. By so doing they greatly lessened the working expenses of their society, and so were in due season able to enjoy a larger dividend. Even now, if every member carried away her purchases a saving would be effected. Whether that saving would be as large as some co-operators suppose is perhaps doubtful. The housewife who brings her weekly list of groceries to the store, and who waits until she is supplied with a score or more of different articles, is a hindrance rather than a help to the shop manager. While "the woman with the basket" is being served there is a block in the traffic, waiting customers form a queue of grumblers, and in the long run the society has either to employ additional servers or risk the loss of valuable trade. Such losses or expenses will possibly exceed the cost of delivery by barrow, or horse or motor-van.

Moreover, the fact that modern co-operative housewives like to be waited upon is not a thing to be deplored. If members of a co-operative society prefer to take their benefits in the form of services instead of money dividends no economist need weep; rather should the co-operative thinker rejoice, for such a preference is a sign that working-class consumers are developing a higher standard of values. No woman ought to be a beast of burden. If the co-operative housewife prefers a pennyworth of service to an additional pennyworth of dividend she is wise in her day and generation.

Still, it remains true that the delivery of goods is an expensive service, and the expenses of delivery, like every other working cost, must be kept as low as possible if the full economic benefits of co-operative organisation are to be secured. If the policy of shop organisation outlined above is adopted the urban society at least will be relieved of the larger and most expensive part of the cost of delivering goods. Its members, who will obtain their meat and groceries, fish and vegetables, at the nearest branch store, quite close to their homes, will be well able to carry their parcels away with them. In any event, it will be possible to organise deliveries locally by means of a boy on a cycle or a youth with a barrow. For such local delivery of parcels a charge of, say, a penny per parcel should be made. This charge will help to cover the small expense incurred.

It will probably still be necessary for the urban society to deliver milk by hand-barrows or milk-floats, and in many parts of the country co-operators may always be unwilling to fetch their daily bread from the nearest depôt. If so, they should be informed that a house-to-house delivery of bread will inevitably mean a low rate of dividend. Unfortunately, very few co-operators know how much it costs a co-operative society to deliver a loaf of bread. A large society in the Midlands, having a weekly output of bread equal to over 1,200 sacks of flour, finds that the cost of delivery is equal to seven-eighths of a penny on every 4lb. loaf. Of two societies, within four miles distance of each other, one delivers bread, meat, and groceries, while the other does not deliver these goods. The difference in the rate of dividend paid by these two societies is frequently 1s. 3d. in the £ in favour of the society which does not deliver. If, when such information is placed before them, the members of a co-operative society in an urban area still prefer service to dividend, of course there is nothing further to be said by those whose business it is to serve them.

The problem of delivering foodstuffs having been thus dealt with it will only be necessary for the urban society to organise the delivery of non-perishable goods from its central stores, as coal and oil will be delivered direct from its depôts at the railway station. These goods—drapery goods, men's wear, boots and shoes, ready-made clothing, hardware, furniture, &c.—should be delivered by smart motors, which, as they dash over the whole area covered by the society, will advertise the fact that goods purchased by customers who shop at its central depôt are expeditiously delivered. Here, again, it is desirable that a small charge should be made for the delivery of parcels or articles of little value. In this connection, too, it may be said that it is always a wise policy for a small society to pay the railway fares of members willing to visit the nearest C.W.S. or S.C.W.S. depôt for the purpose of purchasing goods to a stated value.

The co-operative society in a rural area will necessarily be

compelled to deliver almost all kinds of goods needed by its members living in remote districts. It will probably be obliged to organise country rounds and to arrange for a weekly delivery of goods over wide areas. Indeed, if it is unable to organise a delivery service such a society will fail to secure the custom of persons living in the remoter villages and hamlets at a distance from its central store. The cost of this delivery service will naturally increase the cost of the goods supplied, but as every private trader in the district will be similarly situated the co-operative society will not be at a disadvantage in this respect. If, however, the society is wisely managed, it will organise its country trade by means of "sale-and-delivery vans"—or travelling shops, as they are sometimes designated—which will, in effect, replace the old travelling hawker.

One important aspect of the delivery of goods should receive especial attention. If goods are delivered at members' doors every care must be taken to ensure that they shall be well and correctly delivered. Errors in delivery invariably cause financial loss and legitimate dissatisfaction, and frequently lead to an actual decline in trade. In country districts especially, if the vanman forgets to deliver the weekly joint, or if the packer omits to enclose the husband's packet of tobacco in the parcel, there is righteous anger which is not easily appeased! In such circumstances, the co-operative employee's inefficiency gives the private trader an opportunity, which he is not slow to turn to his own advantage. It follows that a thoroughly efficient system of checking all goods despatched from the store to the customer must form an essential part of any system of delivery adopted by a co-operative society.

IV.—Canvassing.

Should a co-operative society employ canvassers to solicit orders? This question can hardly be separated from that last discussed. At first sight the question appears absurd, for it seems ridiculous that a co-operative society should have to solicit orders from its own members, who will naturally profit by purchasing all they need at their own store. Undoubtedly, were all co-operators fully alert and alive to their own interests no co-operative society would find it necessary to employ canvassers. As things are, however, most societies are obliged to remind their members that they own a shop. Canvassing, therefore, should not be condemned by co-operators as being unnecessary and wholly wasteful, for it is a method of organising the market which a co-operative society exists to supply. Clearly, if the mountain will not come when Mahomet calls, the prophet must go to the mountain!

There are two different kinds of canvassing, both of which should form part of the trade policy of every co-operative society. The first of these, canvassing for orders, is in reality a special form of advertising, the second being canvassing of a type closely akin

to general co-operative propaganda. Of the first of these types of canvassing the well-organised co-operative society can make very little use. Private traders who supply middle-class households with bread, meat, and vegetables, find it necessary to call for orders every morning; but there is little or no extra trade to be gained by the trader who calls daily on working-class housewives. It is idle to ask for a daily order from a woman who has only a weekly wage to spend.

Indeed, such canvassing may become positively harmful to a co-operative society, as when it tempts a woman to order goods for which she cannot pay, simply because she desires to help the poor canvasser! In some parts of the country, where the practice obtains, it is no doubt desirable that the local co-operative society should send out canvassers to collect its members' orders early in each week, the orders given being delivered on the following day. Such canvassing, however, should not be undertaken by any urban society unless there is a real need for it. In rural areas, on the other hand, it is essential that each society should organise regular "rounds," so that each member at a distance can be visited weekly and her order taken, either by a special canvasser, or by the vanman who delivers her goods. Wherever possible, the weekly order should be taken by one man and the goods delivered by another.

Special canvassing organised for the purpose of introducing a new line of goods or increasing the trade of a particular department differs somewhat from the regular solicitation of orders. Trade canvassing of this type is of great value. Every society of reasonable size can find employment for a capable special canvasser, whose sole work should be to introduce new and seasonable goods and obtain new customers. This kind of canvassing has been too much neglected by co-operative societies hitherto; yet it is evident that the demand for co-operative productions, to cite one example only, could be increased if such goods were introduced to customers by canvassers able to demonstrate the superior quality of the articles they recommend.

The second type of canvassing, namely, canvassing of a more general character, is not so much a part of the trade policy of the co-operative movement as it is of general co-operative propaganda. In any event, it is as closely related to the work of the general office and the finance department as it is to the work of those responsible for the organisation of a co-operative society's retail trade. Nevertheless, no responsible official will deny that canvassing of this type is both useful and necessary, since by such canvassing the management is able to keep in touch with the members who constitute the society.

The canvasser—preferably a sensible woman—who should be regarded, not as a salesman, but as a district visitor, can visit the woman member in her own home, and so discover exactly what

she thinks about her society and its management. Further, by this systematic visitation, the member can be made acquainted with every aspect of the society's work—commercial, financial, educational, social, and political—and thus a sense of co-operative solidarity can in time be created in the general membership which will undoubtedly promote the success of its trading operations.

Canvassing of this character ultimately helps every trading department of a society; but, as it is not primarily concerned with the business of retail selling, it need not here be discussed at greater length. It is only necessary to point out that although such canvassing should be organised by every society those who direct it must always remember that helpful canvassing is one thing and that idle gossiping is quite another thing! They should also realise that the reports of a canvasser who habitually invites members to make complaints about the quality and price of goods supplied will certainly cause any committee to despair!

V.—Advertising.

Having discussed the question of canvassing, which is a specialised form of advertising, something must be said on the larger question of advertising and its value as a factor in promoting the success of retail selling as organised by co-operative societies. Time was when co-operative leaders denounced all forms of advertising as being wasteful, and therefore sinful. Advertising, which is inevitable in the old immoral world of competition, was, they thought, wholly unnecessary inside the co-operative movement. Even yet, many co-operative committee-men assert that the best advertisement is a satisfied customer, and ask why, if members are satisfied—as they should be—with the goods supplied and services rendered by their society, managers should so often want to waste good money on advertising!

Nevertheless, even if it be true that “good wine needs no bush,” it is quite certain that “wha blaws best the horn shall win.” Even the strongest advocates of advertising by co-operative societies realise that the satisfied customer is a valuable business asset; but knowing, as they do, that a business can only become articulate by advertising, they urge that bold, systematic, persistent advertising should form a definite part of co-operative policy in the organisation of retail trade. In fact, it is rather late in the day to ask business men if they believe in the value of advertising. Morning, noon, and night the daily papers give their answer in “good black print,” while every hoarding shouts the names of men who have made little businesses big and big businesses bigger by blowing the big horn of publicity. Yet, while this is so, it is evident that the value of advertising as a factor in co-operative business-building is not yet sufficiently recognised by co-operators. Co-operators are no more modest

than private traders; but advertising is not yet an outstanding feature of co-operative business.

Why is it that the "pulling power" of advertisements is not recognised by those who are responsible for the organisation of the retail trade of the co-operative movement? Managers, being practical men of business, usually do recognise the value of publicity. But while individual directors and committee-men may sometimes favour a policy of advertising, co-operative boards of management are not often willing to spend money on any form of publicity. As a rule advertising is frowned upon in co-operative boardrooms. An invoice for advertising is always criticised by many committees, who reckon the cost of advertising as so much money *wasted* which might otherwise have been *saved*! The co-operative manager who ventures to advertise "on his own," or who advocates the expenditure of money on advertising, is always met with the query, "Does it pay?" And after he has answered that question in the affirmative, there will come the poser, "Who pays for it?"

Surely the answer to the first question is obvious. Business men and great business firms do not squander thousands of pounds annually which they could save if they ceased to advertise. They advertise because experience has taught them that advertising is profitable expenditure. They have discovered that the increased business created by successful advertising not only pays the advertising bills, but, by reducing the rate of working expenses per £ of sales, actually increases the rate of profit earned on the turnover. In reality, advertising not merely pays for itself, but also helps to pay the expenses of running the business. If, therefore, the management committee of a co-operative society wish to reduce working expenses they should spend money on advertising.

The answer to the second question is equally sound. Paradoxical though the statement may appear to be, it is a fact that nobody pays the cost of the more important forms of advertising. Competitive advertising is wasteful, and the cost of it must be paid in the price paid for goods by their consumers; but advertising that is in reality a method of organising a business, by making possible the concentration of trade and industry at one centre, effects a reduction in overhead charges and working expenses, so ensuring the more economic employment of capital and labour. Such advertising in reality pays for itself. For example, wise advertising will enable a co-operative society to centralise its trade in non-perishable commodities at one centre, its members will not therefore pay more, but less, for such goods, because the charges for rent, rates, insurance, repairs, and departmental supervision will be reduced. Indeed, the co-operative consumer should be the most ardent advocate of a bold advertising policy.

Of course, some co-operators, whilst admitting that private

traders and business houses must advertise, hold that it is wrong for a co-operative society to do so. Still, as already stated, advertising is not only a legitimate charge on business, but one means of securing the full economic gains obtainable by co-operative organisation. It is costly, like attractive buildings and modern equipment; but the points for co-operators to consider are: Will advertising be remunerative? Will it promote the greater efficiency of a society? Will it add to the reputation of the business? Will it increase sales? Will it give increased satisfaction to the members? Facts prove that all these questions are answered in the affirmative by every society which advertises wisely. Advertising is therefore worth the money spent upon it, and, although it involves a fairly large outlay, it is much to be preferred to many so-called cheaper alternatives.

Always in the drapery trade, and frequently in other branches of retail selling, the management of a co-operative society has information to communicate to its members which would create trade and be mutually advantageous. Such information is often of no less interest to the general public, who are always on the lookout for real value and good service. Surely, then, the co-operative society should advertise its wares and proclaim the benefits it offers, to the end that both membership and trade may be increased, and the progress of the movement thereby accelerated. When all is said, honest advertising of value and service offered is better than sentimental appeals for loyalty, which are oftentimes mere platform cloaks for business inefficiency.

How to advertise is a question that cannot be discussed in this paper. Every form of publicity, and every advertising medium has its special value; but it is clear that every co-operative society should use the power of the press as one means of building up a big business. In this connection reference should perhaps be made to the work of the Co-operative Press Agency, which is always able to help societies to adopt wise and economical methods of advertising. It is only to be expected that big societies will be able to advertise more boldly than the smaller ones can do, but all should advertise and so "hang their banners on the outer walls." Big things have been and can still be done by advertising, and co-operators, who know that publicity is a fundamental principle of co-operation, should not hesitate to advertise the goods they make and sell.

VI.—High or Low Dividends.

On this part of the subject discussed in this paper little need here be said. The value of a big dividend as a trade-bringer is frequently exaggerated. It is quite certain that unduly high prices will drive away more trade than unduly high dividends will attract. One thing at least is clear:—A society which sells goods at the prices charged by neighbouring multiple shops for similar

goods will never pay a big dividend. Nor is it desirable that any co-operative society should pay a big dividend. Co-operative dividends should be equal to the real economic saving effected by collective buying and co-operative organisation; they ought never to be the repayment of overcharges necessitated by unduly high prices. It is true that all co-operators welcome a big dividend when it comes at the end of the quarter. They also want to purchase goods at competitive prices every day in the week and every week in the year; and a low, but uniform rate of dividend, is infinitely superior as a trade-bringer to a high but fluctuating one.

The General Co-operative Survey Committee stated in their report to the Carlisle Congress (1919):—

1. That the maintenance of an unduly high dividend tends to restrict our trading activities by—

- (a) Discouraging the opening of departments in which the conditions are such as to prevent the payment of high dividends if the prices are the same as those of outside traders;
- (b) Tending to keep out of our societies some sections of the community who are either unable to wait until the dividend is paid, or are not able to recognise the fact that co-operative prices with dividends deducted are lower than the prices of competitive traders.

[NOTE.—The extent to which poorer members of the community are excluded by the practice of paying dividends has probably been exaggerated in some quarters.]

2. Low dividends are not necessarily the result of low prices, but are frequently due to unavoidable high expenses or to inefficient management.

These statements are endorsed by co-operative managers, who are for ever endeavouring to create a big surplus at the same time as they are trying to increase sales, although all do not agree with the committee's suggestion that societies should "sell goods at the same prices as outside traders or a little below them in those districts where the co-operative movement does not fix prices." Price-cutting is a game at which more than one trader can play. If a co-operative society begins to cut prices its power to pay a uniform rate of dividend may be weakened; and certainly it will be less able to accumulate capital.

The root of this problem is easily discovered. The members of a co-operative society, like less intelligent folk, cannot eat their cake and still have it. If co-operators want big dividends they must pay for them in high prices, for the economies effected by wise administration and efficient management alone will never be large enough to maintain the payment of a dividend of several shillings in the £ on members' purchases. The truth is that the demand for big dividends has been partly created by unwise and injudicious propaganda. When co-operative orators cease to use the quarterly dividend as their main argument for convincing men and women that they should join a co-operative society, co-operators generally will be quite contented with a rate of dividend

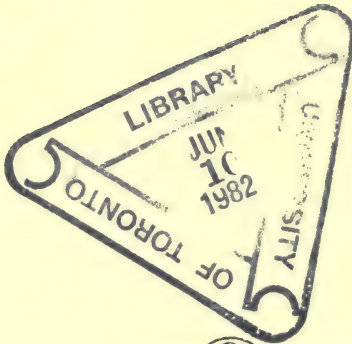
which represents the true surplus which in non-co-operative trade is pocketed by individual business organisers. Meanwhile, it should be the policy of every co-operative society always to sell goods as cheaply as they can be sold by honest traders, and to return to its members on their purchases a dividend equal to the actual divisible surplus remaining after all legitimate charges have been met. The connection of high or low dividends with the accumulation of share capital is another question, not directly connected with the organisation of retail trade, and one which need not be discussed in this paper.

VII.—Conclusion.

This, in brief outline, is a statement of what co-operative policy should be in relation to the organisation of retail trade. For obvious reasons, it has not been possible for its authors to deal fully with every part of so large a subject in one short paper. Many parts of the subject have hardly been touched, and no part has been exhaustively treated. Enough has been said, however, to reveal principles and to indicate the main lines on which co-operators should strive to develop their trading activities in the realm of retail distribution.

Shortly stated, it should be the policy of every co-operative society to provide attractive, well-equipped, and well-staffed shops, equal to the best owned by any multiple shop company; to open smart branch stores for the sale of foodstuffs, and to centralise its remaining trade in one large central building; to limit its deliveries wherever possible, and to ensure that its delivery system shall be efficient; to employ capable salesmen to solicit new trade, and competent canvassers to visit its members periodically in their own homes; to advertise its goods and benefits boldly and persistently in the public press and elsewhere; and to pay the largest dividend on members' purchases that can be paid consistently with the sale of goods at competitive prices and the payment of all non-trading charges that may legitimately be borne by a co-operative society. In short, it should be the policy of the co-operative movement to sell goods as cheaply, and to distribute them as efficiently, as any private trader; to render every useful service that private traders render, but to render it more efficiently; and to justify its existence in society as a distributing agency by its economic superiority. If such a policy is adopted, and efficiently carried out, co-operators will have no cause to fear any form of competition, for in a comparatively short time the whole business of retail selling will be co-operatively organised.





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